



SBA Procedural Notice

TO: All Employees

CONTROL NO.: 5000-753

SUBJECT: Expediting IRS Tax Verifications,
Dealing with Delays, and Updated
IRS Contact Information

EFFECTIVE: 10-18-2001

Introduction

This notice extends SBA Procedural Notice 5000-725 (published April 12, 2001) and updates IRS Service Center contacts, addresses, and phone numbers.

SBA's Tax Verification Policy

The SBA's basic tax verification policy remains the same. Historical business financial information submitted to lenders in support of SBA loan applications must be verified with business tax return information submitted to the IRS. This requirement does not extend to business start-up situations where historical information is not available or situations where business financial information is not used in the loan analysis, such as may be the case with credit scoring.

At the beginning of the SBA loan application process, lenders must explain SBA's tax verification policy to the applicant(s), including the possible referral to SBA's Inspector General of any unsupported material discrepancies between the financial data obtained from the IRS and the data submitted in the SBA loan application. Lenders should also at that time obtain a signed copy of IRS Form 4506 from the applicant(s). As soon as the application appears viable, the lender must submit the Form 4506 to the IRS Service Center of choice. (See attached **updated** listing of IRS Service Centers.) The lender must retain a copy of the Form 4506 and the transmittal to the IRS in the loan file.

Procedures for Submitting Form 4506 to IRS

There currently is no charge for SBA related copies of IRS tax transcripts. All transcript requests must be submitted to IRS using a properly completed, signed, and dated IRS Form 4506, Request for Copy or Transcript of Tax Form, revised May, 1997. Carefully review each 4506 for completeness and accuracy - Incomplete or inaccurate forms will be returned to the taxpayer with a notification to the requester/lender. (Return to the taxpayer is an IRS mandated policy.) Also, be sure to particularly note the following:

- Each Form 4506 must be noted with SBA at the top center of the form.
- To ensure prompt handling, each must be marked with a large "B" on the top right portion of the form.

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SBA Form 1353.1 (12-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58

- Signature date must be included and must be current (IRS must receive the request within 60 days of signature date.)
- Forms cannot be altered (i.e. crossed-out/changed dates, phone numbers, signatures, etc.)
- Current taxpayer address (taxpayer's address at time of filing) must match IRS records for the taxpayer.
- Telephone number of requester must be telephone number of the taxpayer.

Where possible, lenders should consolidate and batch their requests, but no more than 50 requests should be included in each batch. (Bulk requesters may submit an unlimited number of batches per day.) Your transmittal of the bulk requests to IRS must list each taxpayer's name, taxpayer identification number, and the tax period(s) requested.

Requests for expedited transcripts may be faxed, couriered or express mailed (Federal Express, RPS, or other expedited services, including those of the U.S. Post Office) to the IRS using the fax numbers or addresses listed in the attachment. The IRS will respond, generally within two business days, but lenders should contact their chosen IRS Center to work out the most expeditious process. In many instances, the IRS response will have to be mailed, either through the Postal Service or some other carrier, or it may be couriered, but again those arrangements will have to be worked out with the IRS Service Center. Please note, however, that expedited mail or courier services for IRS responses will include charges that the IRS cannot absorb, so lenders should be prepared to work out carrier billing details with their respective IRS Centers.

Telephone inquiries and transcript requests to IRS Centers should be limited to normal business hours, which for IRS are 7:30 AM to 4:00 PM local time, Monday through Friday. With the projected two-day turn around time, a request received by IRS before 4:00 PM on Monday, should be completed by close of business Wednesday.

Procedures to Follow if a Delay is Encountered

The IRS has committed to respond to SBA related tax requests within 10 business days, and in most instances achieves that target. However, due to varying workloads, resource constraints, or other factors, there may be occasions when IRS does not meet that timeframe. Therefore, if a lender does not receive a response or copy of a tax transcript within 10 business days, and the loan is ready for closing, the lender may proceed to close and disburse the loan without the IRS data. (If the loan is not ready for closing, the lender must follow-up with the IRS as described below.)

If the loan is disbursed, the lender must continue to follow-up with the IRS to obtain and verify the tax data. The lender must resubmit a copy of the Form 4506 to the IRS with the notation "Second Request" in the top right hand side and must document the loan file with a dated copy of the second transmittal to the IRS.

For the expedited *SBAExpress*, *CommunityExpress*, LowDoc loan programs, the lender is authorized to close and disburse the loan without waiting for the expiration of the first 10-day period, but the lender must follow-up to secure and verify the IRS tax data and document the loan file.

Upon receipt of the IRS transcript data, the lender must check and verify the data against the financial information submitted in support of the SBA loan application. If no material discrepancy exists, the IRS data must be retained in the loan file along with documentation as to the date of receipt and analysis completed.

If a material discrepancy appears or the IRS advises that it has no record on the applicant, the lender must report it immediately to the cognizant SBA office and document the loan file of the action taken. The SBA may direct the lender to rescind approval of the loan (if no disbursement has occurred), suspend further disbursement, call the loan, or initiate recovery of any disbursed amounts. In addition, the SBA office will refer the matter to OIG's Investigations Division.

If the loan defaults, and the lender has not made other material errors, the SBA will honor the guarantee provided the lender has followed the above procedures, exercised prudent judgment, and the loan file is properly documented.

If you have questions or concerns regarding the processing of a particular IRS tax transcript request, please contact your local IRS Center listed in the enclosure. You may also contact Marsha Baird located in one of IRS's oversight offices at (859) 669-7860 or Charlie Thomas, SBA, at 202-205-6656.

Jane Palsgrove Butler
Associate Administrator
for Financial Assistance

Attachment